

**WATER/KPC/FLC/KOK/RHG**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4562  
September 22, 2005**

**R E S O L U T I O N**

**RESOLUTION W-4562. TAHOE PARK WATER COMPANY, INC. (TAHOE PARK). ORDER REQUIRING TAHOE PARK TO TERMINATE THE CALIFORNIA SAFE DRINKING WATER BOND ACT (SDWBA) SURCHARGE RATES AUTHORIZED BY DECISION (D.) 92188, DATED SEPTEMBER 3, 1980, AS MODIFIED BY D. 85-12-068 DATED DECEMBER 18, 1985, AND RESOLUTION (RES.) NO. W-3905 DATED JANUARY 5, 1995.**

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**SUMMARY**

This Resolution orders Tahoe Park to terminate the SDWBA surcharge rates authorized by D.92188, et al. and for the Water Division's Audit and Compliance Branch (A&C) to conduct an audit of the reserve account associated with the SDWBA surcharge rates.

**NOTICE AND PROTESTS**

This Resolution is an augmentation of the requirements of D.92188, et al. Notice will be provided when the advice letter required by this Resolution is filed by Tahoe Park.

**BACKGROUND**

Tahoe Park, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission. Tahoe Park provides water to approximately 510 flat rate customers and 28 metered customers in an unincorporated area in Tahoe Park, Miramar Heights, and Tahoe Sierra Estates, south of Tahoe City, Placer County. Water supply is obtained

from a spring located at an elevation above the utility's service area, and from two separate intakes from Lake Tahoe.

By D.92188 dated September 3, 1980, the Commission authorized Tahoe Park to enter into a loan agreement with the state Department of Water Resources (DWR) to borrow \$282,014 under the SDWBA and to add a surcharge to water rates to repay the principal and interest on such loan. At that time, Tahoe Park has serious deficiencies within its three water systems including deteriorating transmission and distribution mains, storage capacity facilities, and insufficient spring diversion, and poor intake and pumping facilities.

By D.85-12-068 dated December 18, 1985, Tahoe Park was authorized to borrow an additional \$257,500 bringing the total SDWBA loan authorization to \$539,514. The SDWBA loan proceeds were used to install approximately 11,860 feet of new water mains, addition of a new 100,000 gallon storage tank, enlargement and reconstruction of the spring diversion, and for the Lake Tahoe intake and installation of a pump. The surcharge rates authorized in D.92188 were re-calculated and changed in D.85-12-068.

Subsequently, Tahoe Park requested an additional \$66,950 to cover for certain cost overruns due to increased cost of engineering. D.87-09-070 dated September 23, 1987 granted Tahoe Park a total SDWBA loan authorization of \$606,464 payable in 30 years at an interest rate of 5-1/2% per annum<sup>1</sup>, with equal semiannual payments of principal and interest. Due to an accumulation of funds in the reserve account at that time, no increase in surcharge rates were imposed<sup>2</sup>. D.87-09-070 also stated that the surcharge rates should be adjusted periodically to reflect changes in the number of connections and resulting overages or shortages in the balancing account.

## **DISCUSSION**

Tahoe Park's surcharge rates were originally established by D.92188 and modified by D.85-12-068. On June 24, 1994 Tahoe Park by draft advice

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<sup>1</sup> Increased to 8.1% in 1994.

<sup>2</sup> Tahoe Park started collecting the surcharge rates as early as October, 1980 and due to almost five years of delay in construction accumulated funds in its reserve account. There was approximately \$110,000 in the reserve fund in 1986.

letter for a general rate increase, also informed the Commission that the utility will use a significant part of its reserve funds to reduce the outstanding principal of the SDWBA loan and requested approval to lower the existing surcharge rates by approximately 25%. The request was approved by Res. No. W-3905 dated January 5, 1995. On February 10, 1995, Tahoe Park made a payment of \$231,111.20 to DWR.

The current surcharge rates are:

<u>Metered Service</u>	<u>Per Meter Per Year Surcharge</u>
5/8 x 3/4-inch meter	\$ 71.50
3/4-inch meter	107.50
1-inch meter	179.00
1-1/2- inch meter	357.00
2-inch meter	572.00
3-inch meter	1,073.00
<u>Flat Rate Service</u>	<u>Per Service Connection Per Year Surcharge</u>
For a single-family residential unit or small business establishment, including premises	\$ 71.50
For each additional single-family residential unit or small business establishment on the same premises and served from the same service connection	\$ 57.00
For 1" diameter flat rate service	\$ 179.00

On July 1, 2005, A&C received a report from DWR on the status of loan programs extended to regulated utilities. A&C observed that Tahoe Park's loan contract in the amount of \$606,464 was fully paid in January 28, 2005.

D.92188, Findings of Fact 7 states:

The rate surcharge which is established to repay the SDWBA loan should last as long as the loan. The surcharge would not be intermingled with other utility charges.

D.92188, Ordering Paragraph 4 states:

As a condition of the rate increase granted herein, Tahoe Park Water Company shall be responsible for refunding or applying on behalf of the customers any surplus accrued in the balancing account when ordered by the Commission.

D.87-09-070, Ordering Paragraph 4 states:

To assure repayment of the loan, Tahoe Park shall deposit all rate surcharge and revenue collected with the fiscal agent approved by DWR. Such deposits shall be made within 30 days after the surcharge and upfront cash payment moneys are collected from the customers.

Pursuant to the requirements of D.92188 and D.87-09-070, we will order Tahoe Park to file an advice letter not later than 15 days from the effective date of this Resolution to discontinue and terminate the surcharge rates implemented exclusively for the DWR SDWBA loan.

A&C should conduct an audit of the reserve account associated with the SDWBA surcharge rates to determine the correct balance in the account.

We remind Tahoe Park to comply with Commission orders and regulations as penalties may be imposed if there are violations or failures to comply.

On August 22, 2005, Tahoe Park was notified by telephone about this order to terminate the surcharge rates. No protest was received.

**COMMENTS ON DRAFT RESOLUTION**

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to § 311(g)(3), the 30-day period for public review and comment under § 311(g)(1) does not apply.

**FINDINGS**

1. Tahoe Park, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission.
2. Tahoe Park was authorized by D.92188, D.85-12-068, and D.87-09-070 to secure a loan of \$606,464 from DWR for water system improvement, and to institute a surcharge on existing customers to repay the loan principal and interest.
3. D.92188 requires that the rate surcharge established to repay the SDWBA loan should last as long as the loan.
4. As of January 28, 2005, Tahoe Park's loan balance with DWR is zero and the account is fully paid.
5. Tahoe Park should immediately terminate the surcharge rates for the SDWBA loan.
6. It is reasonable for A&C to audit the balance in the reserve account associated with the SDWBA surcharge rates as soon as it is practicable but not later than 90 days after the issuance of this Resolution.
7. Tahoe Park should reimburse its customers for any surcharge overcollection. The surcredit schedule is subject to the Water Division's approval.

**THEREFORE, IT IS ORDERED THAT:**

1. Tahoe Park Water Company, Inc. is directed to file an advice letter and corresponding tariff sheets not later than 15 days from the effective date of this Resolution to terminate the Safe Drinking Water Bond Act (SDWBA) surcharge rates authorized by Decision (D.) 92188 and

modified by D.85-12-068, and Resolution No. W-3905. The advice letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4562.

2. The Water Division's Audit and Compliance Branch shall audit the reserve account associated with the surcharge rates as soon as it is practicable but not later than 90 days after the issuance of this Resolution.
3. Tahoe Park Water Company, Inc. shall reimburse its customers for any surcharge overages or overcollection when ordered by the Commission.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 22, 2005. The following Commissioners approved it:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President

GEOFFREY F. BROWN

SUSAN P. KENNEDY

DIAN M. GRUENEICH

JOHN A. BOHN

Commissioners